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C O N F I D E N T I A L SECTION 01 OF 02 PRAGUE 001023

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SUBJECT: CZECH PM IN CHINA FOCUSES ON BUSINESS, DODGES THE DIFFICULT ISSUES

REF: PRAGUE 1007

Classified By: Political Officer Kimberly C. Krhounek for reasons 1.4(b) and (d).

11. (C) Summary. On July 7, ADCM met with Ivan Busniak, foreign policy advisor to the Prime Minister, to discuss Czech PM Jiri Paroubek's recent visit to Japan and China. In Japan, discussions focused on increasing Japanese investment and UN Security Council Reform. In China, the dialogue was nearly entirely on trade and investment, with China showing "surprisingly immense interest" in the CR. Paroubek avoided sensitive topics like human rights, East Asian security, and UN Security Council Reform. On his return to Prague Paroubek declared that Czech-Chinese relations had been elevated to a new level and that half his cabinet would visit the country in the coming year. End summary.

12. (C) Busniak explained that having the Czech PM visit China had long been a priority, although it was not initially meant to be included in this trip. Another stop was planned as part of a long-scheduled visit to the international EXPO in Japan, but this was dropped unexpectedly and China added to the itinerary with only four weeks to plan. The Czech PM was happy to have meetings with the "big three" in China -- the PM, President, and Speaker of the Chinese Parliament. Throughout the visit, the Czechs were impressed with how well-prepared and well-informed the Chinese were about the Czech Republic, including their efforts to include references to famous Czechs, such as composers Antonin Dvorak and Bedrich Smetana, into the conversations. Busniak felt that in spite of such knowledge, the Chinese did have lingering impressions that the Czech Republic had a less-developed economy than its western European neighbors and said that Paroubek was at great pains to emphasize the Czech Republic's qualities as a highly industrialized country.

JAPAN: INVESTMENT AND UNSC

13. (C) The PM's visit began in Japan with attendance at the international EXPO. Although Japan was the longer visit and included a meeting with PM Koizumi, Busniak had little of substance to share with us. The main agenda item for the Koizumi meeting was increasing Japanese investment in the Czech Republic. Specifically, the Czechs hope that the recently opened Toyota factory in Kolin will be a catalyst for new Czech investment. Busniak did not indicate if the Japanese made any promises. Paroubek and Koizumi also discussed UN Security Council reform. The Czechs have long been open supporters of Japan getting a permanent seat on the Council, and in return, the Japanese told them during the visit that they could count on Japanese support for the Czech bid to hold a non-permanent UNSC seat during the 2008-2009 session.

CHINA: TRADE AND INVESTMENT

14. (C) Busniak was clearly pleased with the "surprisingly immense interest" that the Chinese demonstrated towards the Czech delegation and said that the three meetings there focused almost exclusively on investment and trade relations. The visit with the Chinese PM was the most concrete, as there was both an hour-long meeting and a dinner together. According to Busniak, discussion focused primarily on 4 to 5 current business projects which are either close to being launched or are already. These projects include: Volkswagon's plan to build an assembly plant of Skoda Octavia cars in China (note: Volkswagon owns Czech automaker Skoda); Czech financial group PPF's (unspecified) plans for a project in Szechuan; and the interest of several smaller Czech companies in the construction of a power plant. On their side, the Chinese apparently expressed interest in using the Czech shipyard in Decin to produce ship propellers and other parts as a joint venture project and the possible introduction of Chinese color tv screens in the Czech Republic. Busniak said no concrete deals were sealed during the visit.

15. (C) Busniak said that the Chinese, perhaps recognizing the Czech Republic's increased attractiveness as an EU member, expressed some interest in concluding bilateral

agreements on double taxation and investment protection -- long-standing Czech goals, which the Chinese had previously not made a priority. In his discussions both with the Chinese and with the media, PM Paroubek repeatedly emphasized the attractiveness of the Czech Republic as an "business entry point into the EU." Paroubek also stressed Czech investments in the northern and northwestern parts of China, said to be among the less-developed parts of the country, and the interest of Czech contractors in projects relating to the 2008 Olympics in Beijing.

STICKY SUBJECTS: HUMAN RIGHTS AND UNSC

16. (C) According to Busniak, the Chinese and Czech PMs discussed human rights only tangentially, when the Chinese requested that the EU lift its arms embargo, saying that it was "no longer in line with the EU - China strategic partnership." In response, Paroubek said that to do so, the EU would look at a variety of factors, including respect for human rights and that he hoped that an outcome to the satisfaction of both parties could be reached. (Note: Some Czech press commentaries criticized Paroubek's apparent decision to downplay human rights in Beijing. When queried, MFA staff report that Paroubek stuck precisely to his talking points. Both the MFA and Busniak report the Czechs decided that their leverage on human rights would be greatest in the context of the EU arms embargo, and that Paroubek did not have any sort of mandate to pursue the arms embargo with the Chinese, thus explaining the limited focus on human rights.)

17. (C) Paroubek was apparently equally hesitant to stand firm in front of the Chinese on the issue of Security Council reform. Although he had reaffirmed to the Japanese the long-standing Czech support for a Japanese Security Council seat just a few days prior, he was reportedly less forthcoming with his Chinese counterpart who opposes it. During his meetings with the Chinese PM, Paroubek said only that the G-4 proposal was "under discussion," although the MFA had told us before the trip that they supported the G-4 proposal and the GOCR ultimately made a decision to co-sponsor it (reftel).

COMMENT: TOO MANY HEADS, LITTLE COORDINATION

18. (C) Comment. It was clear from our discussion that the Czechs were delighted with their reception and "fruitful" meetings with the Chinese leaders. On his return, PM Paroubek announced that "half of his Cabinet" would visit China this year and declared Czech-Chinese relations had been elevated to a new level. It was equally clear that PM Paroubek, known as a practical negotiator but not necessarily a man of principle, is not inclined to deliver strong messages on sensitive issues, particularly when business is at stake. While FM Svoboda can, and still does, fill this role (as we have seen in EU Cuba discussions), his lack of support within the Czech government was made clear by the fact that he was not included in the PM's Asia trip at all. Following the China trip the MFA insisted that the GOCR's view on the China arms embargo remains firm: no lifting without progress on human rights and the establishment of a functioning strategic dialogue between the EU, US, Japan and others on China. However, with different parts of the government acting and speaking somewhat independently, policy messages from the Czech Republic in advance of next year's elections are likely to remain somewhat disjointed, and depend largely on the speaker. As the new Czech Ambassador to NATO Stefan Fule put it in a recent meeting with the Ambassador, "I am happy to give you my country's policy. Do you want the one from the President, the Prime Minister, the Foreign Minister or someone else?" End comment.
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